

SMALL BUSINESS ECONOMIC IMPACT STATEMENT

WASTEWATER DISCHARGE PERMIT FEES

CHAPTER 173-224 WAC

INTRODUCTION

The Regulatory Fairness Act, Chapter 19.85 RCW, requires that rules which have an economic impact on more than twenty percent of all industry or more than ten percent of any one industry, be reviewed and altered to minimize their impact on small business. This review is reported in this Small Business Economic Impact Statement.

The Regulatory Fairness Act requires that a Small Business Economic Impact Statement (SBEIS) "include a brief description of the reporting, record keeping, and other compliance requirements of the rule, and the kinds of professional services" need to comply with those requirements. It also must "analyze, based on existing data, the costs of compliance for businesses required to comply with the provisions of (the) rule...including costs of equipment, supplies, labor, and increased administrative costs." The cost of compliance for small and large businesses are to be compared.

A small business is defined as a corporation, partnership, sole proprietorship, or other legal entity which has the purpose of making a profit, which is independently owned and operated from all other businesses, and which has fifty or fewer employees.

THE CURRENT PERMIT FEE RULE AND ITS AMENDMENTS

WAC 173-224, under authority granted by RCW 90.48.465, imposes fees on holders of state and NPDES wastewater discharge permits. The amendments to the permit fee rule increase the permit fees of industrial permit holders, state-government-owned sewage treatment plants, and privately-owned sewage treatment plants which primarily serve non-residential customers by 162 percent.

The amendments also impose penalties on delinquent fee payments. The penalties are:

LATE PENALTIES	
DAYS LATE	PENALTY
1 - 30	15 % of fee
31 - 60	25 % of fee
61 - 90	50 % of fee
more than 90	termination/additional penalties

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do rise as the size of the business rises (whether size is measured by sales or by pollutant discharge), they do not rise as rapidly as the size of the business does. Since fees are set equal to the average costs of permitting, fees also do not rise as rapidly as sales do. Therefore, the fee-to-sales ratio falls as sales rise.

In conclusion, under the amendments to WAC 173-224, the impact of permit fees on small businesses is larger than the impact on large businesses. Under the amended fee rule, the fee-to-sales ratios of small businesses will continue to be higher than the fee-to-sales ratios for large businesses.

Sewage Treatment Plants

There are 15 private companies and homeowners associations that hold permits for sewage treatment plants which primarily serve residential customers. Included among these 15 private organizations are mobile home parks, small housing developments, and nursing homes. These companies and associations are private organizations, not governments. Sometimes these are profit-seeking businesses (the mobile home parks); sometimes they are not (the homeowners' associations). Under the current fee rule, the permit fees for these facilities are limited by the five cents per month per residential equivalent fee ceiling.

The incidence of the permit fees is on the customers, who are overwhelmingly residential, of these companies and associations. Changes in fees are passed on to customers through changes in sewer rates. Under the fee rule amendments, the fee ceiling is retained for these permit holders. Therefore, the amendments have no impact on their fees.

There are 8 privately-owned permit holders that hold permits for sewage treatment plants that do not chiefly serve residential customers. These 8 permit holders include of four resorts, a truck stop, a church camp, an office building, and a restaurant. Currently these 8 permit holders pay fees of \$500 or \$1,000. Under the amended fee rule, their fees will rise to \$1,310 and \$2,620, respectively.

MITIGATION

The current permit fee rule (see section 173-224-090) contains a provision that allows small businesses to apply for fee reductions. For the purpose of this fee reduction provision "small business" is defined as an independently-owned, profit seeking business with fifty or fewer employees and less than \$500,000 in annual sales. The fees of such small businesses are reduced to the greater of: 1) fifty percent of the permit fee; or 2) \$250.

The amended fee rule will retain the fee reduction provision. However, the minimum fee will be increased to \$655, a 162 percent increase. The minimum fee is increased by the same percentage that industrial permit fees are increased by the rule amendments. In this way, the burden of permit fees on small businesses is mitigated while they still share with all other permit holders the increased burden of higher fees.